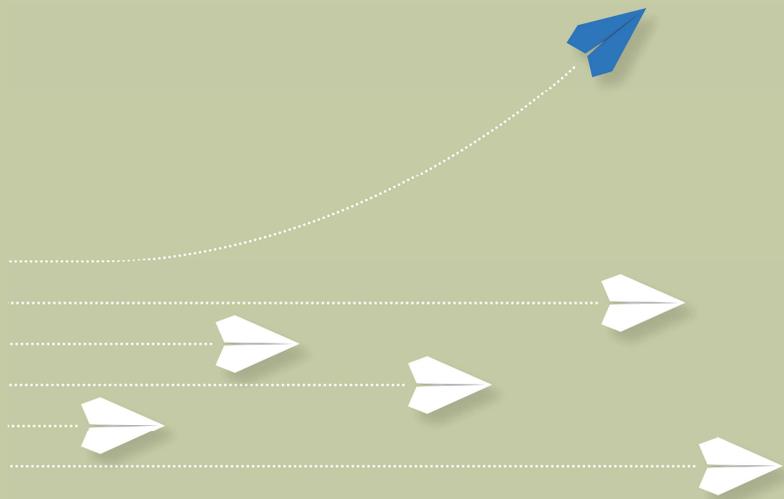**ICAEW KNOW-HOW**
AUDIT AND ASSURANCE FACULTY

Remote auditing in practice

17 AUGUST 2020
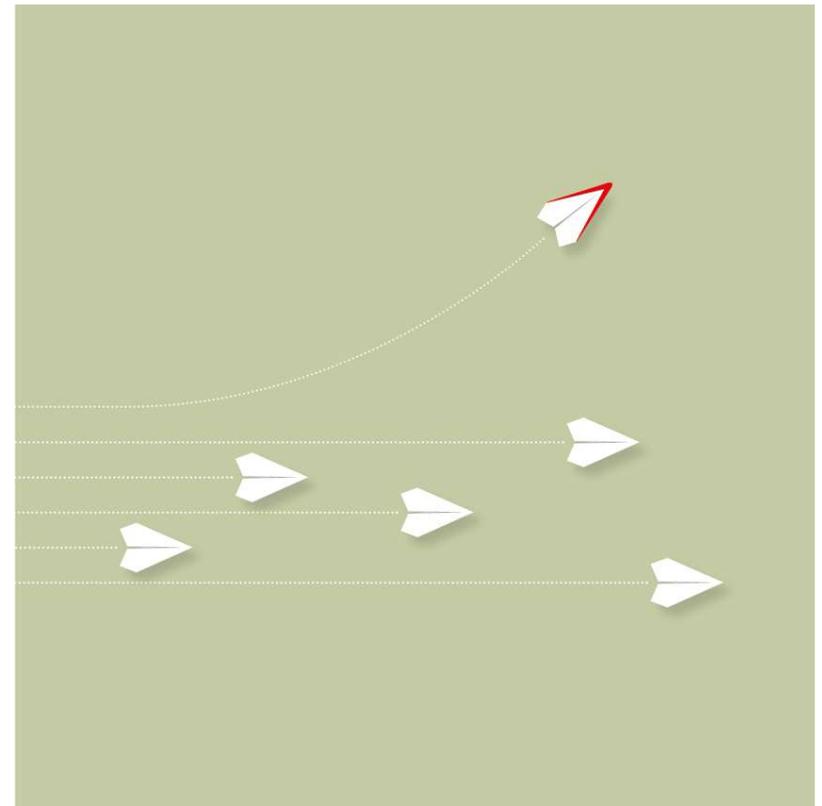
GEOFF SWALES

Today's presenter

Geoff Swales
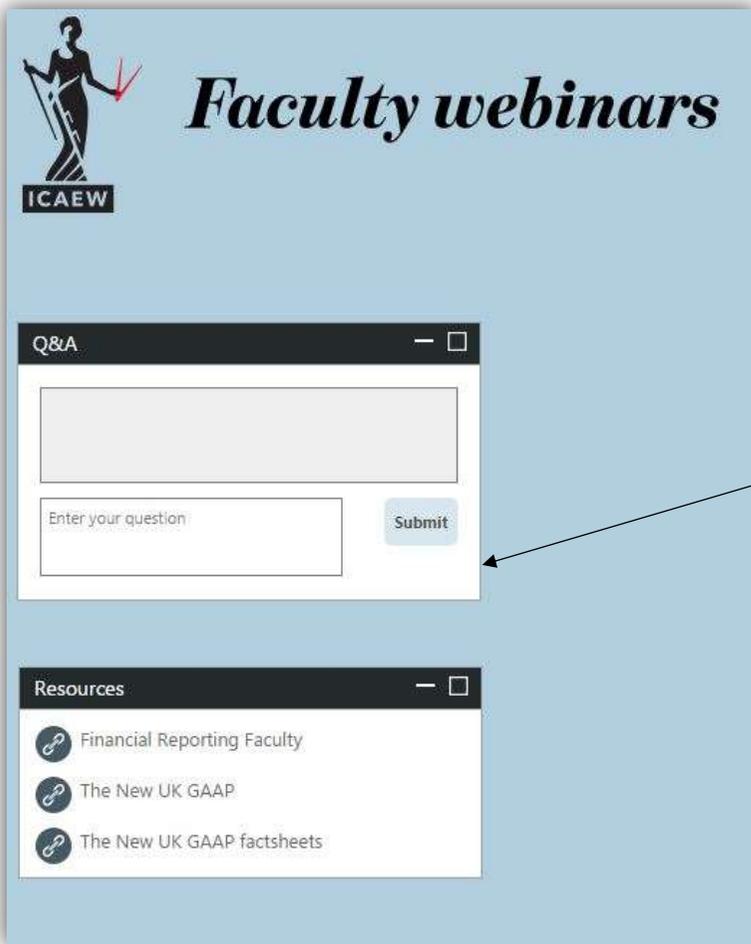Director, PwC
TPAC member

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Resources

- Financial Reporting Faculty
- The New UK GAAP
- The New UK GAAP factsheets

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Ask a question
Type your question into the question box then click submit.

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Introduction

- Covid-19 has impacted working practices

- It has changed how auditors work

- It has **not** changed the requirement to obtain sufficient appropriate audit evidence

The auditor must seek to obtain sufficient, appropriate audit evidence to support their auditor's report. However, restrictions on travel, movement and visiting client sites may mean this cannot be carried out as planned or cannot be carried out within management's planned timetable for issuance of the audited financial statements.

Auditors will need to think about whether there are other ways for them to obtain sufficient, appropriate audit evidence.

(FRC: Covid-19 Bulletin, March 2020)

Contents

Audit administration

Remote team working

Remote evidence gathering

Audit approach

Questions

Audit administration

- Is your engagement letter impacted?

- What is the impact on timetable, budget and fees?

- How will you communicate with management/those charged with governance?

Audit administration

Signing audit reports and other documents

- Handwritten ("wet ink") or electronic signatures?

- Electronic signatures:

  - What type is most appropriate – simple, advanced or qualified

  - Availability of software

  - Ability of client to use electronic signatures

Remote team working

…..some meetings, discussions and access to files will be virtual and facilitated through technology. Given this, the auditor will need to document clearly on the file how the direction, supervision and review process was structured and operated to overcome obstacles, and how communication with team members and in particular: key audit partners; engagement quality control reviewers; and any firm technical reviewers was maintained.

(FRC: Covid-19 Bulletin, March 2020)

Remote team working

- Maintain effective supervision and review
  - Understand the working environment for team members
  - Develop suitable working practices, including for team meetings

- Make effective use of IT
  - Connectivity
  - Security

Remote evidence gathering

Some items will still require the testing and verification of original source documentation, or the verification of physical assets and inventories. The auditor may consider which items are absolutely vital to test physically, and where evidence can be obtained through other means. Verification through other means is more likely to be appropriate where balances are less material.

(FRC: Covid-19 Bulletin, March 2020)

Remote evidence gathering

- Auditors gather evidence by:

  - Inspection

  - Observation

  - External confirmation

  - Recalculation

  - Reperformance

  - Analytical procedures

  - Inquiry

- How are these affected by remote working?

Remote evidence gathering

- Inquiries of management and staff

    - audio v video

    - combining inquiries with observation/inspection, eg walkthrough of systems/controls

- Inspection of documents

    - arranging to inspect documents

    - obtaining scanned copies

Remote evidence gathering

Assessing reliability of information

- Use video to observe downloads from third party systems (eg online banking) or original documents

- Check sample of scanned documents to originals obtained via post or courier

- Check validity of emails or documents by calling the sender

Remote evidence gathering

- Third party confirmations and reports

    - Banks

    - Accounts receivable

    - Property and other valuations

    - Service organisation controls reports

- Using technology to observe inventory counts or inspect property, plant and equipment

Remote evidence gathering

Inventory counts – remote attendance

- What technology is available?

- How will the process be controlled?

- How will items be selected for testing?

- Practical issues to consider

Remote evidence gathering

Group audits

- Understand the local environment – e.g., are there restrictions on travel?

- Have clear plans for extent of involvement

- Consider how to implement plans

  - Remote file access

  - Viewing files over video conference

  - Video conference with local management/component auditors

- Consider impact of any restrictions on the group audit report

Audit approach

Impact on reliance on controls

- Understand how the entity has been affected

    - Changes in how the finance function operates

    - Changes in systems and controls

- Changes in IT organisation affecting segregation of duties

Audit approach

Risk assessment, including fraud risk

- Impact on finance function and shared service centres

- Manipulation of financial statements

  - Provisions and estimates
  - Extraordinary items

- Exploitation of control deficiencies

- Increased cyber risks

- False or erroneous claims for government subsidies

Audit approach

Impact on the audit opinion

- Limitation on scope due to inability to obtain sufficient appropriate audit evidence

  - Qualification

  - Disclaimer, where impact is pervasive

Any questions?

Upcoming faculty webinar

Date	Title
17 September	Identifying and assessing risk under ISA 315 (Revised)

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